
*I*ntegrated business office can boost cash flow

BY ROCHELLE EDEN MOORE

PATIENT ACCOUNTS

Management of patient accounts traditionally has treated billing and collections as separate functions, with staff members working accounts alphabetically by patient. In an integrated business office, however, staff members are trained in both billing and collections and are specialized according to payers. The advantages of a payer-specific design include more efficient contact with major payer groups and a better trained, more flexible staff.

Because of rapid changes in healthcare payment, hospitals' patient business offices must be able to handle the complex requirements associated with different payer groups. Detailed data for each financial class are necessary if a hospital is to receive payment for its services. But because of a lack of communication between billers and collectors within the same payer groups, a considerable amount of valuable information is lost. To ease this problem, an institution may need a new accounting organizational structure for the management of patient accounts.

Patient accounts departments are pressured to maintain cash flow under increasingly difficult circum-

stances. Reflecting an unfavorable nationwide trend, healthcare organizations are experiencing an increase in accounts receivable, which directly affects the availability of cash for operations and capital expenditures. A business office's ability to improve cash flow and reduce days in accounts receivable will play a significant role in determining the bottom line for the hospital as a whole.

A critical step in reducing days in accounts receivable is identifying bottlenecks within the system by examining five components of patient accounting:

- ▶ Preadmission,
- ▶ Admission,
- ▶ Discharge,
- ▶ Billing, and
- ▶ Collections.

Opportunities for improvement exist at every stage, and each step adds days to outstanding receivables. After analyzing each patient accounting component, an organization should assess its structure and its effectiveness in the current environment.

Patient service representative

Two basic types of patient business office structures are prevalent today. Most hospital business offices follow either a traditional approach or a patient service representative (PSR) design. Structures that work in a small, private hospital may not be appropriate for a large, tertiary care medical center located in a major metropolitan area. A hospital should evaluate its

business office organizational chart in light of the institution's unique characteristics.

For a hospital with fewer than 300 beds, the fully integrated PSR design shown in Exhibit 1 may be an efficient means of organizing the patient accounts department. The major benefit of this approach is that one team is responsible for certain receivables from admission to payment (or write-off).

Merging billing and collections

As shown in Exhibit 2, the traditional business office set-up handles billing and collections as separate functions. This structure met the needs of the past, when payers reimbursed hospitals on a percentage of gross charges. As billing procedures and payment methods have become more complex, however, changes in these departments

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are inevitable.

Complications caused by today's diversity among payers have led hospitals to develop strategies for addressing each financial class of payer. An unprecedented number of payment methods has created a demand for specialized skills not cultivated by the traditional approach to billing and collections.

Exhibit 3 shows how a hospital business office can specialize by financial class, with a biller and a collector physically working together as a team. Billers responsible for certain payer categories can continue to handle their primary functions, but a hospital may consider

cross-training between functions. Grouping billing and collections staff members by financial class allows billers to benefit from the knowledge derived from their counterparts in collections and follow-up who have daily contact with third-party payers.

With an integrated billing and collections department, one supervisor is accountable for both functions in each payer category. A healthcare organization should be able to maximize payment by reducing billing errors because:

- Specializing by financial class provides the technical expertise to get the job done right the first

time,

- Costly rebilling necessitated by lack of knowledge regarding the requisites for payment is reduced,
- An organization can measure performance by payer group and insurance company,
- Billers are part of the success when collections are peaking and can feel a sense of accomplishment when targets are met, and
- An awareness of the billing function's effect on cash flow develops when billing and collections are under the control of one supervisor.

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EXHIBIT 1: Fully integrated business office

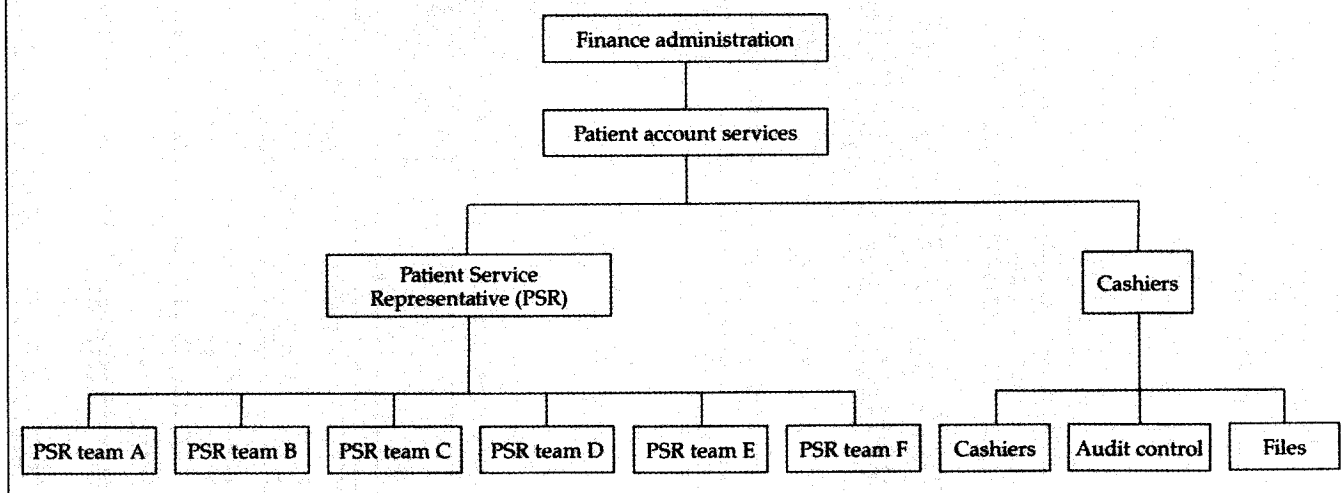
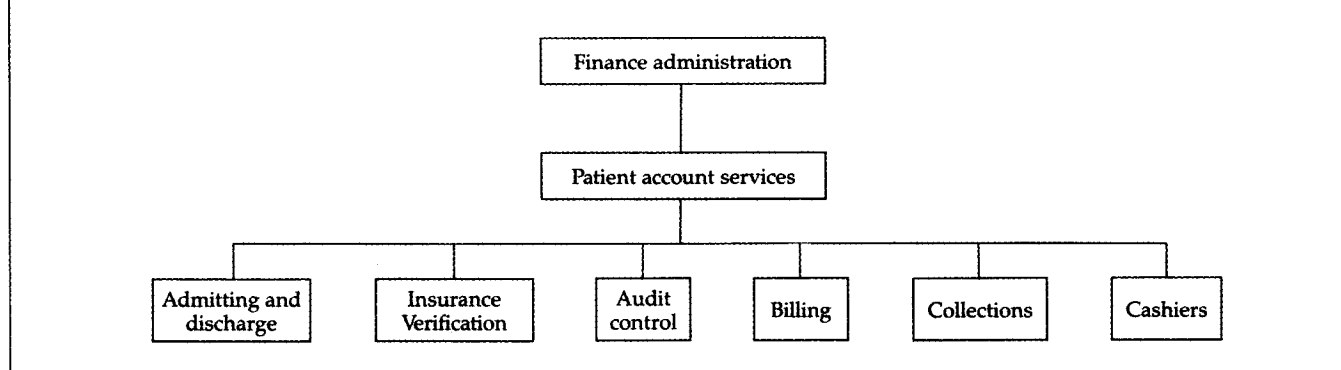


EXHIBIT 2: Traditional business office design



Integrated business office

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TRADITIONAL APPROACH.

Many hospitals still divide collections work alphabetically by patient, which leads to several collectors calling the same insurance company about its claims. At Mount Sinai Medical Center, a 700-bed facility in Miami Beach, Fla., Lynn Boltuch, director of the business office, staunchly defends an alphabetic split and traditional organizational design. She says the ability to move staff quickly among various payer groups to eliminate backlogs and to accommodate vacation and sick days is the main reason to maintain a traditional structure.

Mount Sinai's success in reducing days in accounts receivable from 61 to 54 in eight months indicates a traditional organizational design meeting the needs of Mt. Sinai's business office. A large number of managed care contracts (more than 100) makes specialization difficult at Mt. Sinai, according to Boltuch. She has developed a cohesive teamwork atmosphere through other means, using a newly formed audit committee, a business office newsletter, and team effort recognition meetings.

CONSOLIDATION. For many institutions, however, consolidating all receivables for a particular insurance company and making one phone call is considerably more efficient and can be accomplished if a hospital's billing and collections are payer-specific.

Numerous hospitals have successfully created business offices emphasizing payer categories. At Florida Medical Center, a 450-bed hospital in Fort Lauderdale, a 12-day reduction in accounts receivable was realized after the hospital's restructuring in November 1989. Business office director Dulce Baena attributes the improvement to accountability by payer, particularly for Blue Cross and commercial insurance. "We no longer have job descriptions titled biller, collector, or customer service representative. Everyone is a patient financial representative," Baena says.

"Regardless of the task at hand, each staff member feels a sense of responsibility to get an account paid," she said.

Florida Medical Center also has a cross-training program and rotates its staff members among financial

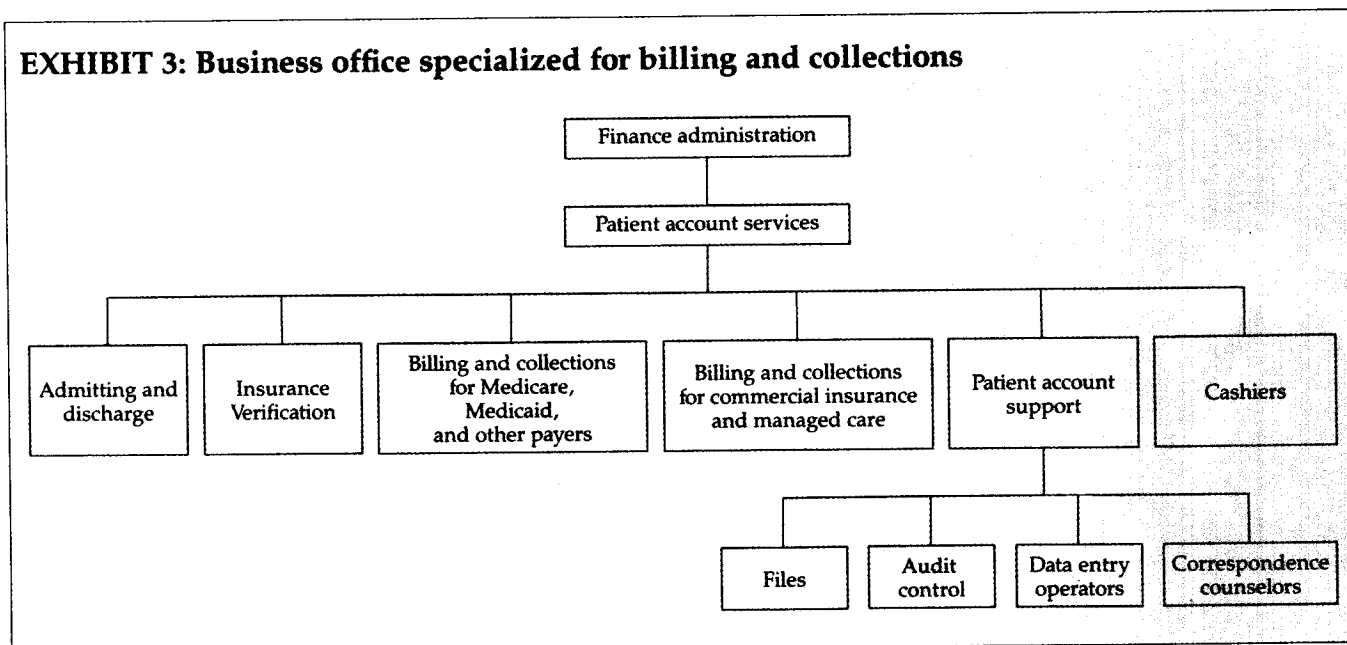
classes. Private-pay accounts and accounts with balances outstanding after insurance has paid are managed by one supervisor, as is the customer service unit.

CUSTOMER SUPPORT. Creation of a separate customer service unit within a hospital's business office is becoming more common, especially because of an increase in phone calls and paper-related activities. Florida Medical Center has designated personnel and a supervisor to handle incoming questions relating to patient bills. Several hospitals have gone further and include secretaries, correspondence counselors, file room clerks, data entry operators, billing collators, and audit personnel in a separate department.

At Tampa General Hospital, a 1,000-bed teaching hospital in Tampa, Fla., a separate customer support division has:

- Improved use of support resources through flexible assignments based on activity. For example, if a backlog appears to be forming in a particular payer category, data entry personnel can be mobilized to alleviate this

EXHIBIT 3: Business office specialized for billing and collections



- problem no matter what their original assignments were;
- ▶ Consolidated outside telephone calls for information, enabling others to work without disruption; and
 - ▶ Improved accountability for file maintenance and a reduced number of lost patient financial data folders.

Case study

In October 1989, Tampa General's patient accounts department divided its billing and collections staff into three groups, each headed by a patient accounts manager:

- ▶ Commercial insurance and managed care contract accounts;
- ▶ Medicare, Medicaid, and other payers; and
- ▶ Support services.

According to Ed Lockliear, director of patient accounts, Tampa General is reaching its goal of 69 gross days in accounts receivable, partly as a result of restructuring. Relieving managers of support functions enables them to concentrate their efforts on accounts receivable. Staff members produce performance reports for each payer, and managers are held accountable for their financial classes immediately after patient discharge. Accounts are followed closely until a bad debt or charity care write-off is taken.

The hospital's support services remain closely aligned with patient accounting and share in the responsibility for the department's performance. "We can never forget that they are as important as our billers and collectors," Lockliear says.

Tampa General staff members registered some apprehension when the reorganization first was announced. Some employees were to report to different managers, but, for the most part, the same people remained in charge. The billing manager became the patient accounts manager responsible for Medicare and Medicaid accounts.

The collections manager headed up the new support services department. And an assistant manager in collections was promoted to the pa-

tient accounts manager position responsible for commercial insurance and managed care.

On paper, the restructuring took

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one day to implement. But the managers took several months to acclimate to their new roles. Staff members saw an immediate improvement in communications, and the Chinese wall between billing and collections was torn down within weeks of the announcement. By December 1989, the department held a joint party, something that had not occurred previously in the hospital's 60-year history.

Mastering billing complexities

Healthcare billing requirements have changed dramatically over the past several years, and changes doubtless will continue throughout the 1990s. Government regulations and policies affecting Medicare, Medicaid, and the Civilian Health and Medical Program of the Uni-

formed Services create billing nightmares for patient accounting staff members.

The growth of managed care has generated numerous problems for business offices unable to cope with this dynamic new payer category. Partially based on room accommodation and hospital service, managed care contracts usually have clauses that lead to different rates for obstetrics, rehabilitation, trauma, burn, and premature infant services, with separate schedules for certain surgical supply items and durable medical equipment. Frequently added to these provisions are stop-loss clauses and payment schedules based on volume.

If a hospital has a large number of active contracts, it should designate one person or team to bill and collect on these accounts. Establish-

ing a rapport with each contract administrator can make a difference in obtaining quick payment on a claim. A managed care specialist's responsibilities might include calculating expected payment if the current billing system cannot project anticipated payment. Estimating payment can be crucial to an evaluation of the actual percentage discount granted by these contracts. A managed care specialist also can help monitor trends indicating the solvency of a particular health maintenance organization through an aging report. A hospital should base its decision to keep a contract active partly on an organization's payment history.


The number of payer groups paying hospitals at a straight percentage of gross charges is dwindling, and hospital bills frequently are subjected to audits before payers submit payment. These constraints were particularly acute at Jackson Memorial Hospital, a 1,582-bed teaching facility in Miami, Fla.

Adam Colucci, Jackson Memorial's administrator of patient financial services, has established teams to handle the hospital's inpatient accounts receivable by financial class. Medicare, Medicaid, commercial insurance, and self-pay claims each are supervised by a team leader reporting to an assistant administrator.

Responsibility for accounts begins before billing with file preparation. Colucci believes this structure will bring billing and collections staff closer together and will allow them to work toward a common goal: speeding payments for more than 60,000 inpatient discharges each year. Although he sees teamwork as important, he also envisions a competitive spirit and more opportunities to motivate his staff.

Difficulties encountered in consolidating billing and collections often stem from the location of the departments. At Jackson Memorial, as with Tampa General, these two departments were located in sepa-

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rate buildings. Bringing these functions under one roof and designing a work area to support the new organizational structure can be the patient accounts manager's greatest challenge.

Reducing self-pay receivables often requires more collection staff resources than reducing receivables for other payer groups. As employers consider ways to cut healthcare costs, individuals will be responsible for an even greater portion of their hospital bills. Self-pay accounts may make up an even larger segment of every hospital's payer mix, which translates into additional uncompensated care costs for providers.

Each institution must determine the best way to handle the patient portion of a bill, according to priority and resources available. Concentrating a department's efforts on the largest balance accounts with the greatest likelihood for payment usually is the most sensible approach. Many hospitals contract with outside collection agencies to work private pay accounts earlier at a reduced commission rate, allowing hospital staff members to bill a patient once and continue collection efforts on high-dollar insurance claims.

Accountability by group

The most important aspect of a patient accounting department's organizational design is its ability to track cash flow and accelerate reimbursement. How many bills are mailed each week is a lesser concern. Hospital administrators should be more interested in reviewing an accounts receivable aging report and discharged-not-final-billed analysis by financial class and insurance plan.

Groups with slow payment cycles will be obvious, and administrators should ask department managers to develop action plans

Functional structure is still an option

BY SUZANNE T. ANDERSON

As healthcare organizations' cash flows are tightened, patient accounts management is receiving closer scrutiny. Pressure to improve performance and ensure the financial viability of healthcare institutions is escalating.

Numerous articles, seminars, and books have been developed to explain the latest patient accounts management techniques.

Unfortunately, neither theoretical nor popular approaches can remedy poor A/R management performance. Instead, the best approach is to apply fundamental people management skills and closely monitor functional units. Reinforced by solid management, a proven organizational structure can help hospitals achieve desired results in patient accounts management.

To meet customer service and performance standards, patient accounts departments sometimes experiment with a variety of organizational models. New positions, job descriptions, and responsibilities abound. The result, instead of better performance, often is confusion for both patients and staff members.

A functional model still may be the best choice for a healthcare business office. In a functional approach, each aspect of the patient accounts management cycle is handled by a separate unit:

- ▶ Charge entry,
- ▶ Billing,
- ▶ Payment posting,
- ▶ Insurance follow-up,
- ▶ Collections, and
- ▶ Inquiries.

While allocation of responsibilities may vary from organization to organization, this basic structure has been successful for many providers.

Following a functional approach to A/R management can yield several benefits:

- **All critical tasks in an A/R cycle are accounted for.** By establishing a separate functional unit for each major task, patient accounts managers can ensure key components of the cycle are completed. In a structure in which multiple responsibilities are assigned to a single individual, this is less likely to happen. Key tasks may remain subordinated or incomplete in the face of multiple priorities.

- **Backlogs are more easily identified.** A frequent problem in patient accounting operations is that work becomes backlogged. Often, a manager is unaware of a backlog until it becomes substantial. A functional structure leads to easier monitoring of work in process, so that a manager can allocate resources to avoid situations that hamper performance.

- **Performance expectations can be more clearly defined and understood.** When priorities are established clearly, developing related, achievable performance

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encompassing their areas of responsibility. It is more efficient to restructure, if necessary, to reduce the number of divisional lines staff members must cross.

Ideally, a patient accounting department should bill an inpatient claim in 12 days or less from date of discharge. Billing speed can be improved through increased use of electronic billing for specific payers. Managers also should consider using two or three shifts in a billing area to reduce the number of working days between discharge and claims submission.

Major advantages to organizing a hospital's patient accounting area by payer include that:

- ▶ Managers can thoroughly train personnel to perform complex billing and collection procedures and to allow them to interact

closely to resolve payment issues;

- ▶ Payment problems for specific payer groups can be resolved more readily because they are the responsibility of one person; and
- ▶ Multiple patient account managers (at large hospitals) understand the basics of both billing and collections.

Establishing a patient accounting team can be a difficult process. Because of complexities in billing and collections, a lengthy training period is needed to produce managers fully competent in both areas. If managers do not have experience and knowledge of billing and collections issues, they will not be able to act on problems quickly to avoid payment delays. Consequently, although restructuring billing and collections has many advantages, administrators must take care to

ensure that staffing needs are met and that billing and collections managers have been fully trained.

As business office staff members gain more knowledge about each payer group and insurance plan, a means must exist for relaying valuable information to others throughout the hospital. The organizational structure of the patient accounts department is the framework for such interdepartmental communication.

As government and business, the two largest healthcare payers, strive to contain healthcare costs, more barriers between providers and payers likely will arise. A continued emphasis on cash flow to fund the expansion of medical technology and compensate for patients unable to pay their debts will be at the forefront of business office strategies for years to come. □

Functional structure

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expectations is easier. For example, it is much easier for a manager to monitor a unit's task of posting all payments within 24 hours of receipt than it is for a manager to supervise a patient representative who posts payments, follows up on unpaid claims, bills out certain claims, and responds to patients' phone calls.

● **Staff training is simpler.** If a wide variety of responsibilities is assigned to a single individual, it becomes more difficult to recruit and train qualified individuals. Again, when performance expectations, priorities, and skills are clearly defined, training people becomes simpler.

● **Rewards for solid performance can be developed.** Because both the overall effectiveness of an operation and individual performance can be clearly evaluated within a functional structure, developing an approach for reward-

ing superior performance also is easier. Key employees can be recognized and rewarded for their contributions to an organization. Rewards can be based on a number of factors unique to each institution. By rewarding both individual and collective performance, an organization can foster an environment of team work within a patient accounting department.

Critics of a functional organization often claim that a functional model does not provide job enrichment and growth opportunities for individuals and that functional units operate autonomously, thus limiting continuity and efficiency of processes.

These arguments, however, reflect a department's management style, rather than the structure of the department. In well managed, functionally structured patient accounting departments, supervisors, managers, and staff

members develop expertise in specific functions. Over time, these individuals also focus on cross-training and work in multiple units, further supporting A/R management goals.

In today's patient accounting environment, effective performance is increasingly difficult to achieve. But proven management strategies, such as a functional approach to A/R management, continue to offer benefits. As a result, healthcare administrators should focus attention on optimizing each component of the patient accounting process, rather than on overhauling the process as a whole. □

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